

AR20



Standard Oil Company (Indiana) Annual Report 1973

About Our Company

Standard Oil Company (Indiana) is engaged worldwide in crude oil and natural gas exploration, production, purchasing, and transportation, and in manufacturing, transporting, and marketing petroleum products, including chemicals, plastics, and fertilizers. It has smaller interests in minerals and real estate. With assets of \$7.02 billion, the company ranks 11th among U.S. industrial concerns and sixth among petroleum companies. Domestically it ranks fifth in crude oil production, with about 5 per cent of the nation's total; third in natural gas production, with 5 per cent; fourth in refinery runs, and fourth in gasoline sales. It markets about 6 per cent of the country's petroleum products. It is active in over 40 countries.

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Cover

Drilling crewmen connect pipe on the rig floor of a well in one of the 41 fields discovered on our Union Pacific acreage in Wyoming and Colorado.

The Year in Brief

		1973	1972	% Change
Financial	Total revenues	\$6,467,639,000	5,476,989,000	+18
	Net income	\$ 511,249,000	374,740,000	+36
	Net income per share	\$ 7.33	5.37	+36
	Fully diluted net income per share	\$ 7.08	5.21	+36
	Dividends paid	\$ 180,304,000	166,775,000	+ 8
	Dividends paid per share	\$ 2.584	2.392	+ 8
	Capital and exploration expenditures	\$1,105,571,000	940,573,000	+18
	Total assets	\$7,018,013,000	6,186,242,000	+13
	Shareholders' equity per share	\$ 59.10	54.41	+ 9
	Working capital	\$ 775,400,000	682,552,000	+14
Operating	Crude oil and natural gas liquids, barrels per day —			
	Net production	875,294	814,958	+ 7
	Input to crude units	1,100,026	1,015,695	+ 8
	Natural gas sold, thousand cubic feet per day ..	3,932,950	3,949,167	—
	Refined products sold, barrels per day	1,234,137	1,225,844	+ 1
	Chemical revenues	\$ 771,121,000	623,176,000	+24

To Our Shareholders:

In 1973, the United States finally began to face the unpleasant fact that the days of unlimited cheap energy are over. The steadily widening gap between domestic energy supplies and rising demands resulted in further shortages of natural gas, electric power reductions in a number of areas, and allocations of heating oil and gasoline —while petroleum imports rose sharply.

At the same time, unilateral price increases by the oil exporting nations raised the cost of imported crude and refined products to the highest point in history. Late in the year, embargoes on shipments to the United States by the Arab producing nations further aggravated the already tight supply situation. Among the results were higher domestic prices for both crude and refined products.

Our company's facilities were pushed to their limits in efforts to find and produce more oil and gas and to supply the maximum possible quantities of fuels, chemicals, and other products needed by the economy. With major phases of our operations conducted at record levels, consolidated net income rose 36 per cent, to \$511.2 million — representing a return of 12.9 per cent on shareholders' average equity. Dividends were increased by 8 per cent, the maximum permitted under federal economic stabilization regulations. Sales of refined products accounted for the largest share of the dollar increase in total revenues, which were 18 per cent higher than in 1972, while chemical revenues showed the greatest rate of growth, increasing 24 per cent.

Operating Highlights. Our company's net production of crude oil and natural gas liquids in 1973 was increased 7 per cent over 1972, with over 85 per cent of the gain registered in North America — where production averaged a record 617,000 barrels a day.

With all operations geared for maximum output,



John E. Swearingen, chairman



Robert C. Gunness, vice chairman



George V. Myers, president

our U.S. refineries functioned at 97 per cent of operable capacity in 1973, and would have done even better except for a lack of crude oil to process.

Capital and Exploration Expenditures:

Capital and exploration expenditures in 1973 exceeded \$1.1 billion. Some 68 per cent of this, or \$747 million, was devoted to exploration and production, of which \$557 million was spent in North America. In 1974, we have embarked on the most extensive oil and gas exploration and development program we have ever undertaken. Scheduled expenditures for these purposes will total approximately \$954 million, with about 70 per cent of this to be concentrated in the United States and Canada.

In total, our 1974 capital and exploration budget will exceed \$1.4 billion—more than \$300 million above the 1973 level, and equivalent to nearly three times 1973 net earnings.

Outlook: For some time to come, fuel conservation is going to be essential for the United States and the entire world. Available domestic energy supplies are already inadequate to meet current needs, as evidenced by a doubling in the volume of our oil imports over the past five years. In 1973, over one barrel out of every three consumed in the U.S. came from foreign sources, and the nation's dependency on foreign crude and refined products could rise to the 50 per cent level by the early 1980s—even with the practice of continued conservation. Given the demonstrated unreliability of supplies from some of the major foreign producing areas and the spiraling cost of imported oil, it is imperative that we hold this dependency to the minimum possible levels.

For the longer term, the United States can regain its former position of energy self-sufficiency. Unlike Japan and most of Western Europe, the United States is blessed with large potential supplies

of coal, oil, natural gas, and uranium. Development of all these sources must be given the highest national priority if we are to maintain a viable economy and freedom from external control over our own affairs.

Unfortunately, progress toward this vital objective is still being seriously impeded by a lack of coordinated federal energy policies and by governmental interference with market processes at every level of the energy supply chain. Our most pressing need is to increase energy supplies. While recent increases in domestic crude and product prices are helping to generate the tremendous amounts of capital required to accomplish this objective, further progress is threatened by ill-advised attempts to roll back prices and to impose new taxes on production. Few of the government actions proposed to deal with the shortages reflect any real understanding of the complexities involved; many are contradictory and counterproductive; in total, they threaten to paralyze effective actions to resolve the nation's energy dilemma.

We thank our shareholders and employees for their support in 1973, and pledge our best efforts to make 1974 an even more successful year for our company.


Chairman


Vice Chairman


President

March 1, 1974

Energy Shortages

It was the year the oil industry could have said, "We told you so," as long-predicted energy shortages appeared. But even the industry couldn't predict the 1973 combination of circumstances, including the outbreak of a new Mideast war followed by Arab political embargoes on crude oil and soaring cost increases instituted by foreign oil-producing nations. To top it off, Canada sharply tightened controls and imposed heavy export taxes on oil.

For our part, company executives in speeches and published articles tried to focus public attention on the root causes of the shortage:

- Price controls on natural gas producers that resulted in unnaturally high demand for gas and forced fuel oil to compete at artificially low prices;
- A reduction in the percentage depletion provision; this tax deduction helps provide funds for the huge investments needed for exploration and development;

Secretary of Commerce Frederick B. Dent (left) presents his department's first "SavEnergy" plaque to Blaine J. Yarrington, Standard director and former president of Amoco Oil, in recognition of our company's energy conservation program, including the "Dial Down" campaign.



- Increasingly wasteful uses of energy;
- Environmental considerations that forced utilities and industries to switch from other fuels to low-sulfur gas and oil, that prevented the building of a trans-Alaska pipeline, of refineries, and of deep-sea accommodations for very large tankers;
- And, finally, additional air pollution controls that caused automobiles to use far more gasoline.

We have long asked for a national energy policy to put priorities on actions conducive to solving the supply problems. At the end of 1973, we still had no national energy policy. However, oil industry economic incentives have improved, and investment capital for oil operations has been generated within the industry by the release of some crude oil production from price controls, by increased ceiling prices on other production, and by better realizations on product prices. With our own improved earnings, we have budgeted \$1.4 billion for capital and exploration expenditures in 1974—about one-third more than in 1973, which in turn represented a substantial increase over 1972. It takes several years, however, to see the results of such spending. And it will take a long time to reverse the far-reaching effects of two decades of price controls of natural gas at the well-head.

The company took many steps—detailed throughout this report—to bring supply and demand closer together, everything from increasing crude oil production to reducing the use of energy in our oil fields, refineries, and other installations.

The energy shortage will not be solved quickly, but when we get public recognition that a shortage exists, when there is a national policy to point the way, and when there is a combination of appropriate prices and taxation to generate and attract the necessary investment funds, we are confident that the balance between supply and reasonable demand can be restored.

Exploration and Production

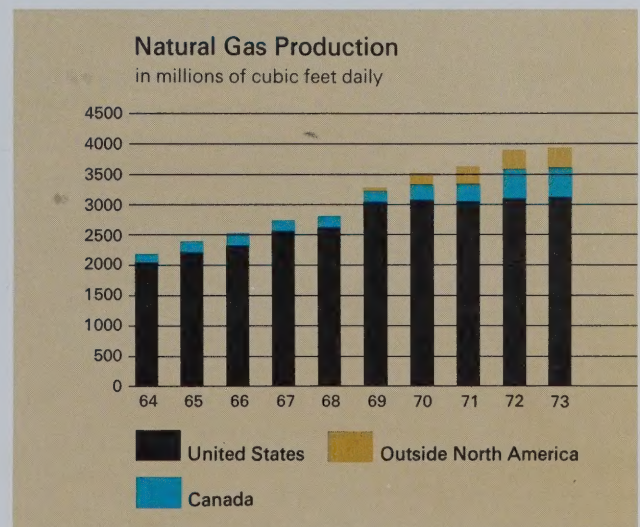
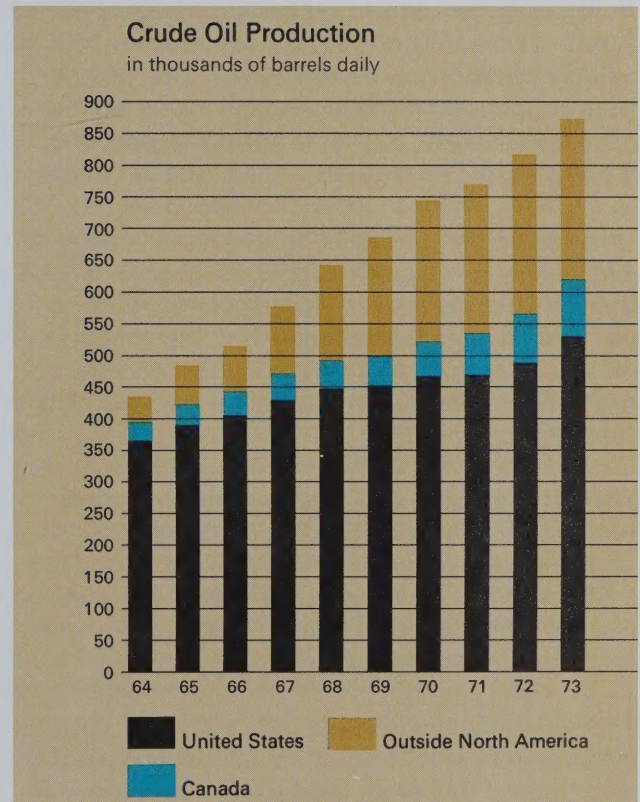
In a period of worldwide energy shortages, Standard Oil Company (Indiana) produced more crude oil and natural gas in 1973 than in any previous year and substantially increased its exploration.

Furthermore, the improved economic incentives provided by the prospect of higher crude oil and product prices in the United States resulted in some new discoveries and initial increases in production from fields whose economics did not previously justify investment of funds for development. Net production of crude oil and natural gas liquids was raised nearly 7 per cent over 1972, to 875,294 barrels a day. Over 85 per cent of the increase came from North American wells. Net production of natural gas averaged 3.9 billion cubic feet a day, up slightly from 1972. New reserves of both oil and gas were found in Colorado, Texas, Wyoming, Montana, and Trinidad; oil discoveries were made in Oklahoma, Michigan, and Egypt, and gas was found in Pennsylvania, Wyoming, Louisiana and Canada.

Production

North America: Net production of crude oil and natural gas liquids in North America increased 9 per cent over 1972 to a record 616,995 barrels daily. The gain resulted from accelerated recovery in established fields, higher allowables, improved secondary recovery, particularly from West Texas and Rocky Mountain fields, and the inclusion in our net production of some oil and gas previously dedicated to production payments, now completed, on the Honolulu Oil Corporation properties we acquired in 1961. Natural gas production averaged 3.6 billion cubic feet a day.

Although we added an estimated 93.5 million barrels of North American reserves of crude oil and natural gas liquids during the year, our production of 225.2 million barrels brought our total



Exploration and Production

(continued)

North American proved reserves down to 2.9 billion barrels at the end of 1973, a decrease of 131.7 million barrels from a year earlier. Our proved natural gas reserves at year-end totaled 16,250 billion cubic feet, a decline of 965 billion after production of 1,320 billion cubic feet in 1973.

Overseas: Net overseas production of crude oil and natural gas liquids rose 3 per cent to a record 258,299 barrels a day. The largest increase in our foreign production came from our properties off the east coast of Trinidad, where production averaged 49,341 barrels daily, up 121 per cent from 1972.

The Middle East hostilities that began October 6 forced us to suspend production October 9 from our 40-per-cent-interest El Morgan oil field in the Gulf of Suez because tankers were not free to enter the Gulf. The war caused no harm to our personnel or facilities.

The net production temporarily lost from the closing of El Morgan was about 50,000 barrels of oil daily. Our other production loss from this area was in Libya, for 6,000 net barrels of oil daily for part of November and all of December.

Natural gas production overseas—80 per cent of it from the North Sea for British consumers—averaged 319 million net cubic feet a day, slightly higher than the record production of 1972. Most of the increase came from The Netherlands, where a second field began production in 1974.

Exploration

We drilled, or took part in drilling, 343 gross exploratory wells worldwide, compared with 290 in 1972, as improved prices prompted more spending, especially in the United States. We also supported the drilling of 648 wells by others to help evaluate acreage while minimizing our risk.



*Top: Exploratory drilling extended to Alaska peninsula.
Bottom: Field foreman emerges after inspecting survival capsule at producing platform in the Gulf of Mexico.*



Our interest in 1973 exploratory drilling equaled 245 net wells, resulting in 17 oil and 51 gas discoveries and 177 dry holes. The most significant exploration activities were:

United States: In the Appalachian Basin, we are seeking deeper reserves in the area where the petroleum industry was born. Our first commercial gas discovery in Pennsylvania was completed near Somerset, flowing 1.7 million cubic feet a day. An offset well to this fully-owned discovery is being drilled to test further the 3,000 acres we lease in that area, 60 miles southeast of Pittsburgh.

In the Rocky Mountains, we retained more than 4.8 million acres of the 7.5 million of Union Pacific Railroad lands (see map) that we obtained in 1969. On UPRR lands, we own 43.8 per cent interest in the Bruff unit, a deep wildcat drilled 66 miles northwest of the 1972 Wyoming Brady unit discovery. The Bruff well tested 1.4 million cubic feet of gas and 360 barrels of condensate daily. We have 7,300 net acres of the 22,350-acre Bruff unit and extensive holdings in the area.

In northern lower Michigan we drilled 13 net wildcat discoveries in 1973, which tested a net 750 barrels of oil and 22.5 million cubic feet of natural gas a day. We encountered operational problems on a full-interest Michigan well in April. At the same time, surface gas eruptions forced evacuation of the town of Williamsburg. While no relationship was established, we volunteered to pay the costs of evacuation and property damage claims totaling \$225,000.

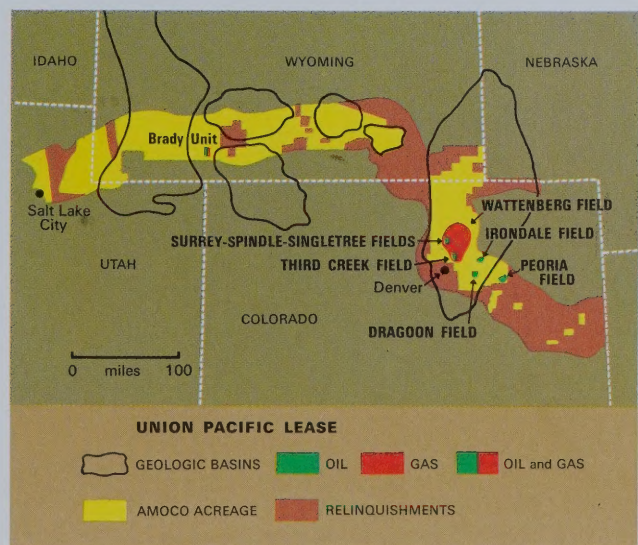
In West Texas and southeast New Mexico we hold full interest in 120,000 acres in a very active gas exploratory area. In 1973 we drilled two productive wildcats on this acreage and authorized the drilling of 31 others on the 110,000 acres still to be tested. In Jefferson Davis Parish, La., a discovery in which we hold half interest

tested 7.5 million cubic feet of gas and 156 barrels of condensate a day.

In June, we acquired tracts with partners off the Texas and Louisiana coasts at a net cost of \$55 million. Two 22-per-cent-interest wildcat wells that a partner drilled off Texas had daily test flows exceeding eight million cubic feet of gas each. We have some 10,000 net acres in the area. Off Louisiana, we drilled 26 gross wells (12.2 net) and completed 12 as producers.

Canada: In the Marten Hills area, some 150 miles north of Edmonton, Alberta, 10 discoveries tested a total of 20 million cubic feet of gas a day. We have interests varying from 50 to 100 per cent in the discoveries and in 300,000 acres in this area.

Overseas: In Egypt, a discovery well in the Gulf of Suez encountered over 700 feet of net oil sand. Production tests of up to 12,000 barrels daily of high quality oil were made in what has been named the July field. Development drilling is under way. The field was shut in, pending the resumption



Exploration and Production

(continued)

of shipping in the Gulf of Suez. We have 40 per cent interest, after royalty payments, in production from the field.

In the British North Sea, the Hutton oil field was discovered by others in a neighboring license area on a structure that extends onto one of our 25.7-per-cent-interest blocks. We plan a 1974 well to evaluate the structure in our block.

Off Trinidad, eight full-interest exploratory wells resulted in the discovery of gas in the East Mayaro area and the extension of the Samaan oil field and of two known gas fields.

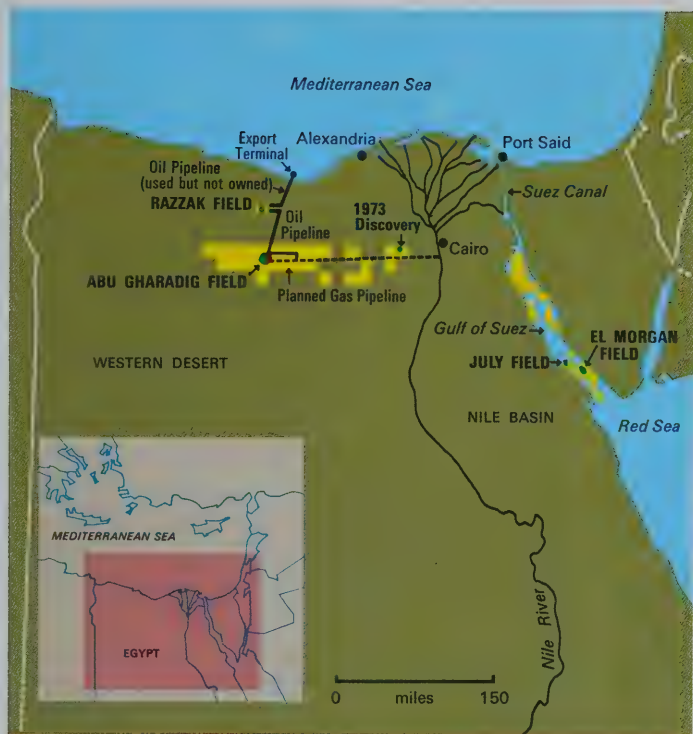
We explored off the coasts of Papua-New Guinea, Taiwan, Thailand, Indonesia, Tanzania, Tunisia, Sicily, the Fiji Islands, and on the mainlands of Pakistan and Peru. Our exploration activity will increase further in 1974.

Development

Increased demand for domestic crude and attendant price increases permitted under the federal price control regulations prompted further efforts to recover additional oil and gas from existing reservoirs. We drilled or participated in drilling 963 net development wells, up 31 from 1972.

Crude oil from our Samaan and Teak fields, east of Trinidad, is received, processed, and stored for shipment at this terminal at Point Galeota.





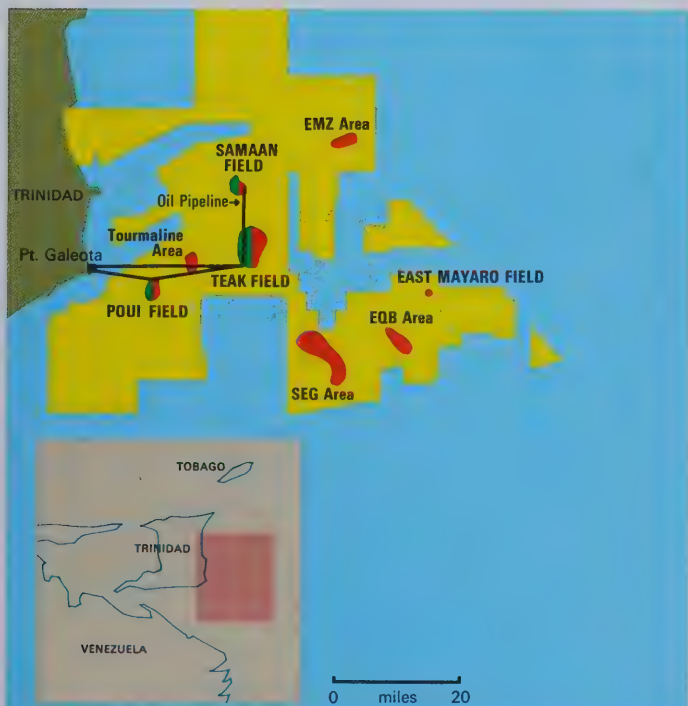
EGYPT

- OIL
- LICENSE AREA
- OIL and GAS
- AREA OF LARGE MAP



NORTH SEA

- OIL
- LICENSE AREA
- GAS



TRINIDAD

- GAS
- LICENSE AREA
- OIL and GAS
- AREA OF LARGE MAP



NORTHERN PERSIAN GULF

- PRODUCING OIL FIELDS
- AREA OF LARGE MAP
- OIL FIELDS BEING DEVELOPED

Exploration and Production

(continued)

Off Louisiana we completed 14 net oil wells and six net gas wells in eight fields in which we have varying interests. We installed seven multi-well



Near this Colorado well, 27 others were drilled in 1973 to develop two new oil and gas fields within the Wattenberg area north of Denver. We have 78 per cent interest in their daily production of 1,350 barrels of oil and 2.1 million cubic feet of gas.



Rig is skidded to a new location in Egypt's Western desert.

drilling platforms and three production platforms in the Gulf of Mexico in 1973. At year-end, our total net production from the Gulf was a record 18,475 barrels of oil and condensate and 417 million cubic feet of gas a day.

In Arkansas, we completed seven more wells in the 85-per-cent-interest Chalybeat Springs field, discovered in 1972, and now have 14 net wells there, producing 2,900 barrels of oil and 5.4 million cubic feet of natural gas a day.

In West Texas, an infill drilling program in the South Cowden field added 1,840 net barrels of oil a day, bringing our production from 55 net wells to more than 4,000 barrels daily.

In Wyoming, we have 17.5 per cent interest in the Brady unit, where a partner completed nine wells. The discovery well, completed in 1973, tested at rates as high as 1,000 barrels of oil and 4.7 million cubic feet of gas a day from one zone. Shallower zones tested from 1 to 4 million cubic feet of gas and 1,680 barrels of oil daily.

In Michigan, we completed five more net oil wells to bring our daily net production there to 2,655 barrels of oil and 19.1 million cubic feet of gas.

Natural gas price increases permitted us to step up the development of reserves in tight formations and those that lack reservoir continuity. These conditions require closer spacing of wells and expensive well stimulation by fracturing to produce hydrocarbons at commercial rates. Development of such tight structures occurred, for example, in:

Colorado. We began a 667-well development program in the Wattenberg field. Partly funded by a major pipeline company, the project includes pipeline connections and a \$5 million processing plant with daily capacity of 150 million cubic feet of gas and 7,700 barrels of liquids.

Kansas. On our acreage in the Panoma-Council Grove gas field, which lies underneath the famous Hugoton gas field, 100 net wells were completed, bringing our total net wells to 266, currently producing 60 million cubic feet of gas a day.

Overseas: In Egypt's Western desert, the Abu Gharadig field, our 1971 oil and gas discovery, began producing oil in March. At year-end its production was averaging 13,000 gross barrels daily. We also began developing gas reserves there, for production in 1975. Development of the Razzak multi-zone oil field was completed with production averaging 16,000 barrels daily at year-end. We have 42.5 per cent interest in the production of these fields after we have paid royalties. In the Gulf of Suez, pressure maintenance and artificial lift projects were nearing completion in the El Morgan field. El Morgan had averaged 123,600 barrels daily for the 287 days it was on production before it was shut down by the outbreak of Middle East hostilities. Our net interest after royalty payments is 40 per cent.

In the Persian Gulf off Iran, crude production from the Darius and Cyrus fields averaged 128,000 gross barrels daily. We started developing the Fereidoon field for initial production in late 1974. Production is scheduled to reach a maximum of 150,000 barrels daily in 1976. We also expect to bring the Ardeshir field on stream in 1976, with production gradually increasing to a design capacity of 200,000 barrels daily. Our interest in production from the four fields is 50 per cent.

In the Sea of Japan, development began in the Agaoki field, a 1972 oil and gas discovery that tested at rates up to 1,800 barrels of oil and 14.4 million cubic feet of gas daily. We have 25 per cent interest in the surrounding 116,000-acre concession and half interest in some five million adjoining acres.



Drillers in Egyptian desert areas developed oil and gas reserves in two fields discovered before 1973.

In The Netherlands, gross gas production from the Bergermeer field was 128 million cubic feet daily by year-end. Production from our group's Groet field began in January, 1974. We have 36 per cent interest in these fields.

In the Norwegian North Sea, development of the Tor field will begin during 1974, with production expected in 1976.

In U.K. waters of the North Sea, we completed development plans for the Rough and Montrose fields. We have 22 per cent interest in the Rough gas field, discovered in 1972, some 18 miles east of Easington. The Montrose oil field, in which our share is 30.7 per cent, is 130 miles east of Aberdeen, Scotland, where we have established an operating base. Eventual gross daily production rates are expected to reach 100 million cubic feet of gas in the Rough field and 50,000 barrels of oil in the Montrose. Step-out drilling in the Lomond field, 30 miles southeast of Montrose and 155 miles east of Aberdeen, is set for 1974. We have 22.2 per cent interest in this 1972 gas discovery.

Exploration and Production

(continued)

In our wholly owned concession off the east coast of Trinidad, development drilling is continuing in the Teak and Samaan oil fields. Development drilling from the first platform in the Poui oil field was scheduled to begin during the first quarter of 1974. We drilled 22 Trinidadian development wells in 1973 and plan 27 for 1974. Gas deliveries for Trinidad consumption are to begin in mid-1974 at a daily rate of 38 million cubic feet, and we have shelved, at least temporarily, plans for a gas-liquefaction plant to process gas for U.S. markets.

In Venezuela we drilled 10 wells in the wholly owned Jobo field and are studying the feasibility of increasing its production by thermal recovery processes. In western Venezuela, two development wells were drilled in our 50-per-cent-interest Barinas area. Additional drilling is planned.

Undeveloped Holdings

Our net undeveloped leaseholds at the end of 1973 totaled 24.1 million acres in the United States, 6.2 million in Canada, and 24.4 million outside North America. We also have under option or permit 2.8 million acres in the U.S., 40.6 million in Canada, and 17.3 million elsewhere in the world.

In December our company and its partners acquired 17 federal tracts in the Gulf of Mexico off Mississippi, Alabama, and Florida. Our net cost was about \$57 million. Exploration drilling will begin in 1974. We acquired a working interest in 602,137 acres in the Arctic islands. At year-end we and an equal partner acquired exploration and production rights to 2.5 million acres under a production-sharing contract with the Bolivian government oil agency. Our acreage is in the Robore area adjacent to the Paraguayan border.

Late in 1973 we agreed to pay for four exploratory wells to be drilled in Tanzania to earn a partial interest in a 14.2-million-acre concession area.

We began seismic work on two new permits, totaling 142,275 acres 50 miles southwest of Barcelona, Spain, off the Mediterranean coast.

Gas Processing

We expanded the Bacton, U.K., terminal to a capacity of two billion cubic feet a day. In North America we completed four natural gas processing plants and modified four others that we operate for ourselves and partners. We now operate 41 plants for ourselves and partners and have interests in 38 other plants. We began major storage construction projects on the Sarnia Natural Gas Liquids System, which supplies an average of 25,000 barrels a day of liquefied petroleum gases and heavier condensate from Alberta to markets in eastern Canada and the midwestern United States. Much of this construction was made possible by the improved economics of extracting liquids from the natural gas stream.

Improved Technology

We increased secondary recovery programs and initiated field-level tertiary recovery pilot projects to recover maximum reserves from known reservoirs. Secondary and tertiary recovery processes are ways to produce oil when primary recovery ends. We greatly accelerated our secondary recovery projects, particularly waterfloods. In West Texas alone, we drilled 623 gross wells (290 net) as part of a seven-field waterflood program. We now inject almost a million barrels of water a day in our West Texas waterflood projects, and we increased our net production in the fields by 28,000 barrels of oil daily during 1973.

For several years we have been developing tertiary recovery processes. In 1969 we committed \$6.5 million for field pilot tests. We now have four tertiary projects in Texas areas with significant potentially recoverable reserves.

Transportation

Amoco Milford Haven was the first of three 230,000-dwt tankers launched for us in 1973. Wooden supports are about to be skimmed off the water for use in building our second tanker at Cadiz, Spain.



Transportation

(continued)



With our first 230,000-dwt tanker (background) just off the ways, the first steel plate for our second such tanker is maneuvered into position at Cadiz shipyard.

To minimize the effects of supply shortages, we improved the flexibility of our transportation systems. New records were established for transportation of volumes of both crude oil and products.

North America: Our common-carrier, crude-oil pipelines transported a record 1,157,000 barrels a day, up 56,000 barrels daily from 1972. Our common-carrier products pipelines transported 226,000 barrels daily, up 11,000 to another new high. Our private products pipeline system in the Midwest moved 320,000 barrels daily, also a new record. Our U.S.-flag ocean coastal vessels carried 25 million barrels of products, and our inland tankers and barges, 19 million.

As allowable production rates increased, capacity had to be added to the gathering systems and main lines. Foreign crude had to be moved into the Midwest in larger volumes, as did heating oils from the Gulf Coast. To meet some of these problems, we expanded two segments of our wholly owned crude-oil pipeline system—increasing our daily capacity to move West Texas oil to the Midwest by 25,000 barrels, and to Texas City by 22,000 barrels. The Capline crude system, from the Louisiana Gulf to Illinois, in which we have 7.4 per cent interest, is being expanded in capacity from 538,000 to 743,000 barrels daily.

To ease winter transportation in moving heating oils from the Gulf Coast to the Midwest, we renovated, and converted to seasonal fuel oil storage, idle crude oil tankage with a capacity of more than 2 million barrels at Humboldt, Kan. We are converting additional crude storage at Cushing, Okla., to store summer fuel oil production for use next winter. We also acquired product storage terminals at Cheboygan, Mich., and Chippewa Falls, Wis. We completed two pipeline stubs from our Minnesota products line and our Superior, Wis., terminal to customer storage nearby.

To expand our capacity for receiving foreign crude at the Texas City refinery, we began a two-step expansion of a dock in which we'll own 60 per cent interest. The initial expansion will add 108,000 barrels a day of unloading capacity. We also entered into a project to build a deepwater oil port off the shore of Louisiana to unload very large crude carriers. We are participating in a similar program for a port near Freeport, Tex. On the Texas Gulf Coast we completed a pipeline network to carry feedstocks primarily from Texas City to our Chocolate Bayou chemical plants, but with connections to chemical plants of five other companies. The network also connects with storage facilities, including three of six salt caverns that we completed to store feedstocks and products at Stratton Ridge, Tex.

Overseas: Although only about 11 per cent of our domestic refinery input came from overseas in 1973, this percentage is expected to grow, and our refining and marketing operations overseas also require a growing transportation capability. In 1973, we put into service two of the four 230,000-deadweight-ton tankers being built for us in Spain. Each of these vessels, the Amoco Milford Haven and the Amoco Singapore, has a carrying capacity of more than 1.5 million barrels. The third and fourth vessels, the Amoco Cadiz and the Amoco Europa, are to be completed in 1974.

We chartered for 20 years three 150,000-dwt tankers to be built in Japan, all for delivery in 1975. In addition, we ordered the construction of two 128,000-dwt proprietary tankers in Spain and two 136,000-dwt tankers in Japan—for 1976 delivery. Our international fleet will then have 15 proprietary tankers totaling 1,923,000 dwt.

In 1973 we transported about 46 million barrels of crude and products in controlled foreign-flag tankers. Our own vessels accounted for 544,000 dwt of the 1,700,000-dwt capacity we used.



Manufacturing and Marketing

With all operations geared to supply as much refined product as possible to energy-hungry customers in 1973, our refineries processed a record 1,100,026 barrels of crude oil a day, an increase of 8 per cent. Sales volumes rose 1 per cent. Sales revenues, reflecting improved prices at home and abroad, rose 15 per cent. Almost 85 per cent of our total sales volume was in the U.S.

Manufacturing

North America: Our domestic refineries operated at 97 per cent of their rated capacity even though they were limited by a lack of crude oil. In attempts to operate all our processing units as close to maximum capacities as the supply of raw materials allowed, we ran foreign crude at our inland, as well as coastal, refineries in the United States.

Records were set in all categories of refined products, with production of gasoline averaging 503,000 barrels daily; heating oils and diesel fuels, 268,000; residual fuels, 61,000; asphalt products, 52,000; liquefied petroleum gas, 26,000, and jet fuels, 39,000.

Our U.S. crude-running capacity was expanded 4 per cent to 1,065,000 barrels a day. A program started at Whiting, Ind., will add 25,000 barrels a day to the capacity of that refinery. Engineering also began on an \$88 million conversion to enable the Texas City refinery to process up to 150,000 barrels a day of higher-sulfur foreign crude, equal to nearly half its present total throughput. Work began at the Wood River, Ill., refinery on a 20,000-barrel-a-day unit to reduce fuel oil sulfur content.

Partly owned 65,000-barrel-a-day Singapore refinery was completed and began operating in late summer.

Manufacturing and Marketing

(continued)

Our efforts to maintain equipment for extended periods of operation at high capacities were exemplified by the uninterrupted run of a catalytic cracking unit at Sugar Creek, Mo. The unit, which converts heavy stocks into gasoline and heating oil, began its seventh year of continuous operation in October—a record for the entire industry.

To improve the efficiency of heavy oils operations (wax, grease, petrolatum, and lubricating oils), we reduced the number of individual specialty formulations and package sizes while retaining top quality products in suitable quantities.

Overseas: Two new refineries were completed and put on stream in the third quarter. The 80,000-barrel-a-day plant at Milford Haven, Wales, is wholly owned, and we have one-third interest in a 65,000-barrel-a-day refinery on Merlimau island, Singapore. Milford Haven brought our overseas capacity to 183,000 barrels daily.

During 1973 our foreign refineries processed 108,440 barrels of crude daily, up 34 per cent from 1972. The British government has made grants covering part of the construction costs at Milford Haven.

We have phased out processing arrangements by which other refiners supplied products for our British market. An existing arrangement for the processing of crude oil for our markets in West Germany remained in effect.

Crude runs at our Brisbane, Australia, refinery were up 12 per cent to 24,195 barrels daily. Throughput at the newly expanded refinery at Cremona, Italy, rose 14 per cent to 67,600 barrels a day.

Marketing

United States: An entirely new marketing environment was created by product shortages, increased demand, price control, allocations, and government regulations. As a result, the company canceled sales promotion advertising, declined to bid on potential new business, and urged consumers to restrict their driving, dial down thermostats, turn off lights, and generally conserve energy.

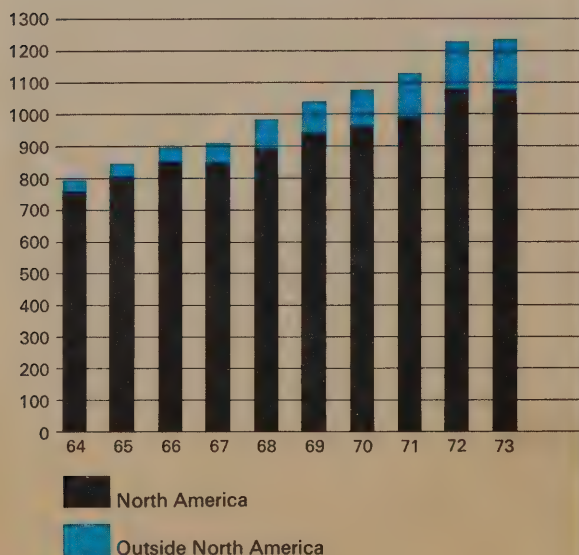
Yet, our refined-product sales volume fell only 12,477 barrels a day, to average 1,048,417—the limit of what we could make available. Our sales volume of gasoline rose 3 per cent and jet fuels 2 per cent, but heating oil volume declined 15 per cent and residual fuels were down 10 per cent.

Sales of asphalt, the only product that was not scarce until the fall of 1973, were up 20 per cent, to 20 million barrels. This was largely due to the federal government's release of highway funds, coupled with an extended construction season.

To make sure that our 1973 available supplies were spread fairly, we established, in the spring, a voluntary allocation program, limiting dealers, jobbers, and agents to no more than we provided them in 1972. In June we modified our allocation program to conform to similar guidelines of the federal government. Mandatory federal allocations took effect in the fall for propane,

Refined Products Sales

in thousands of barrels daily





heating oil, diesel fuel, jet fuel, and kerosene.

The federal government announced new controls, effective in mid-January of 1974, requiring heating oil consumers to lower their thermostats—6 degrees in homes and schools, and 10 degrees in commercial buildings—compared with corresponding months of 1972. The regulations also announced allocation levels to priority users for each product. Since the government does not consider service stations as priority users, their supply of gasoline is affected the most and is expected to be 20 to 30 per cent less than their customers will want.

Overseas: Refined product revenues rose sharply, and net gains from sales went up faster than rising costs of crude oil. Our product sales overseas averaged 156,358 barrels daily, up 11 per cent.

In Italy, our sales revenue increased 42 per cent on volume increases of 12 per cent. Retail outlets were upgraded and marginal accounts were phased out. In the United Kingdom, where we had been increasing sales volume in anticipation of the startup of the Milford Haven refinery, sales revenue rose 68 per cent on a volume increase of 21 per cent. Though our marketing staff was greatly reduced in West Germany, we had the most successful financial results there in recent years as improved realizations for petroleum products outweighed the effects of higher crude oil costs. Sales volume fell 5 per cent, but revenues rose 56 per cent.

However, with the effect of the Middle East supply reductions felt much more directly in Europe than in the United States as the year ended, restrictions and allocations were more severe abroad. West Germans could not drive at all on Sundays, and Great Britain was on a three-day work week.

Headquarters of the parent company and major subsidiaries were moved to new Chicago office building in 1973.

Chemicals

Revenues from chemicals, plastics, and fertilizers rose 24 per cent to a record \$771 million in 1973. Chemical earnings contributed \$48.3 million to consolidated earnings, a 60 per cent increase from 1972. Net income from chemicals represented 9.4 per cent of the corporate total.

Overseas production of our most important chemicals, purified terephthalic acid (PTA) and dimethyl terephthalate (DMT), commanded higher prices, and prices of synthetic fabrics rose worldwide. However, domestic prices for many chemicals remained under federal regulations throughout 1973.

Marketing: We are the world's leading producer of PTA and DMT, which are intermediate chemicals used in the manufacture of polyester fibers for double-knit clothing and automobile tire cord, and polyester film used for recording tape and other growth products such as photographic film and food pouches. We increased production of these chemicals by 19 per cent in 1973, to 1.4

Schoolchildren enjoy hot lunch from our China-Foam trays. Volume sales of this product were 42 per cent over 1972.



billion pounds, but still had difficulty meeting customer demand.

Worldwide shortages of chemical and plastic raw materials — such as those used for alkyds, plasticizers, and synthetic fibers — created demand for several of our other chemicals as replacement materials. This resulted in record sales of isophthalic acid, up 30 per cent in volume; trimellitic anhydride, 54 per cent; polybutenes, 58 per cent; and Resin 18, a tough industrial coating material, 26 per cent.

We had excellent sales results with products made from a still-emerging technology in plastics — foam molding. The process is used to make furniture and structural items for materials handling, such as milk cases and shipping pallets. We are a custom fabricator of these products and a supplier of one of the best molding materials, high-impact polystyrene. The process produces handsome, lightweight but strong, highly rigid parts. Our sales of structural foam products, particularly milk cases and pallets, rose 50 per cent in 1973, and injection-molded-product sales increased 30 per cent.

We introduced a line of contemporary furniture, produced by rotational molding of polyethylene, and a line of designer storage cubes and accessories, called Cubicals, injection-molded from polyethylene. Cubicals can be used as tables, benches, storage walls, bookshelves, magazine racks, kitchen or linen cabinets, and many other items.

Sales volumes for synthetic fabrics, which we manufacture in five countries, were up 29 per cent. These woven polypropylene fabrics are used for carpet backing, feed and produce bags, protective coverings, and land reclamation. A fiber-type face yarn was introduced for use as synthetic grass and for surfaces of recreational floor coverings.

Reflecting both increased production and modest increases in product prices, dollar sales of

polypropylene, polystyrene, and high-density polyethylene rose 46 per cent. These polymers are versatile plastic materials used in hundreds of molded and extruded products. Petroleum additives our original chemical line, had a solid 14 per cent volume gain. Fertilizers, after a poor year in 1972, had a 33 per cent sales gain to \$89 million.

We set new sales records for plastic pipe and fittings. We also reached agreement to acquire an existing operation in California that manufactures and markets large-diameter reinforced plastic pipe and fittings suitable for transporting large quantities of water, sewage, and industrial effluent in pressurized systems.

Manufacturing: Our production of nearly all chemical products increased during the year. A unit at Texas City, brought on stream late in 1972, produces high-purity propylene. A new isophthalic acid plant at Geel, Belgium, completed in mid-1973, is in full production. Process improvements helped

us set new records in producing polypropylene, polystyrene, and high-density polyethylene. At New Castle, Del., we installed facilities to recover atactic polypropylene, a caulking and sealing material that was once considered waste. Similar facilities are planned for Chocolate Bayou, Tex.

We are building plants at:

- Joliet, Ill., using a new proprietary process to produce maleic anhydride, an intermediate chemical used by manufacturers of boats, auto parts, large-diameter pipe, agricultural chemicals, and lubricating oil additives.
- Geel, Belgium, to produce polypropylene, beginning in 1976.
- Bainbridge, Ga., to weave polypropylene strands into tough, non-mildewing cloth for carpet-backing and bagging.
- Chocolate Bayou, near Alvin, Tex., to make ethylene, a feedstock for numerous other chemicals.

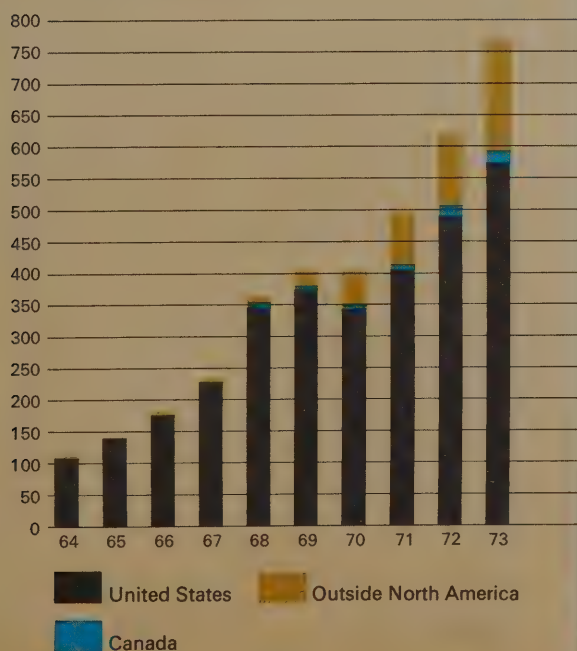
We began construction of a section to be added to an aromatics separation unit at Texas City. The new section will produce metaxylene, a raw material for isophthalic acid, beginning in 1975.

We completed the addition of a manufacturing unit to our 50-per-cent-owned additives plant at Antwerp, Belgium, more than doubling its capacity. We also established blending plants for additives at London and at Durban, South Africa.

We also began expanding capacities of existing plants that produce polypropylene at Chocolate Bayou; polypropene at Sugar Creek, Mo.; polystyrene at Joliet; PTA at Decatur, Ala.; paraxylene at Texas City; gasoline and lubricating oil additives at Wood River, Ill., and synthetic fabrics in the United States, United Kingdom, Canada, and West Germany.

Chemical Revenues

in millions of dollars



Minerals



Mineral exploration in 1973 included extensive drilling for cores in Western Australia (above) and collecting outcropping samples from the mountains of Fiji (below).



The company's search for minerals — primarily copper, nickel, lead, and zinc — was extended into Central America, Fiji, and Mexico in 1973 and we are negotiating for rights to develop known ore deposits in other areas, or to participate in such developments.

In return for exploration we conducted in Western Australia, we earned 49 per cent interest in a joint venture that controls, outright or with options, 126 miles of the Forrestania minerals belt, equal in area to about 340 square miles.

Within this belt, we have intersected appreciable amounts of nickel-bearing material in two mineralized areas about 10 miles apart. Extensive drilling within this belt is determining the tonnage and grade of deposits for possible commercial development.

Our largest project is in the Republic of Zaire, Africa, formerly the Democratic Republic of the Congo, where we have 28 per cent of the equity in the Societe Miniere de Tenke-Fungurume, holder of the Tenke-Fungurume concession.

Nearing completion in Zaire are comprehensive feasibility studies for a mining and metallurgical operation with an initial annual production level of approximately 125,000 metric tons of refined copper and 6,000 metric tons of refined cobalt. Cores taken from more than 150,000 feet of drilling within this deposit indicate proved ore reserves of some 47.5 million metric tons of mixed sulfide and oxide averaging 5.6 per cent copper and 0.48 per cent cobalt.

We have several other highly prospective mineral areas within 46 exploration projects in Australia, Canada, Ireland, the United States, and other areas. Detailed geological, geochemical, and geophysical surveys are being carried out in a number of areas, to be followed by core-drilling on all prime targets.

Research and Development

Research and development costs were \$40 million, compared with \$33 million in 1972. Our scientists received 276 patents and applied for 352 others. Income from the licensing of our technology to others totaled \$15 million.

Exploration and Production: Although we have long recorded seismic wave reflections to show us subsurface structures that *could* contain oil or gas, we are now finding that under certain conditions such waves can indicate variations in rock properties, including the *presence* of fluids within the structures, and even differences in the type of fluid—water, oil, or gas.

We developed methods to take measurements, from well bores, of the earth's gravity field to determine the density of individual rock layers. This information can indicate the possible presence of gas-filled rock. The technique has uncovered shallow gas deposits previously missed by the usual well log in South Texas and in Michigan.

Processes and Products: Ultrafining, a process developed in our Whiting laboratories, is being installed in units at our Wood River, Ill., and Texas City refineries to desulfurize distillates. Two other proprietary processes convert high-sulfur crude oils into low-sulfur products, an important accomplishment in a period of shortages of low-sulfur crude and of stringent air-quality requirements. One process produces primarily heavy fuel, the other, light fuel oil and gasoline.

Chemicals: Research focused on future expansion and diversification has discovered several promising leads of a proprietary nature, which have moved into the developmental stage of new business research. A process we have been developing from an idea we purchased in 1971 led, in 1973, to the design of a commercial plant to produce maleic anhydride from butane. We developed



Our food-grade yeast products, made from ethanol, received favorable reaction from marketers.

a number of fire-retardant plastics. One substance we produced to impart fire retardancy is being evaluated by several fiber producers.

We are cooperating with other companies to develop alternate energy sources from oil shale and coal. Work in coal liquefaction is expected to result in a prototype plant to produce syncrude and low-sulfur fuel oil. In another project we have joined, a pilot-plant demonstration of a new oil-shale retorting technique has been scheduled in 1974. We plan to acquire coal and oil shale reserves as economic opportunities permit. A beginning of such acquisitions was made in January, 1974, when our company and a partner made a successful joint bid of \$210 million to acquire a federal tract of 5,090 acres of oil-shale land in western Colorado, 28 miles south of Elk Springs.

Field research expanded in our search for the best techniques to produce bitumen from our 105,000-acre Canadian tar-sands holdings by means of underground combustion. The process involves injecting air and burning a small portion of the bitumen underground, which heats the formation, and makes the tar flow more easily, under increased pressure, to producing wells. We drilled 32 test holes over some 2,000 acres in 1973 to evaluate the bitumen in place in the southern half of our acreage and to make sure our pilot project is placed advantageously on the acreage. On the basis of this drilling, we estimate the bitumen reserves on this half of the acreage at 6.6 billion barrels. The expanded project involves drilling 37 wells on 35 acres, will cost about \$13 million, and will continue for several years.

Favorable reactions of marketers to food-grade yeast made from ethanol in our 500-pound-a-day pilot plant led to planning of a larger scale plant. Using minor amounts of petroleum, the process produces protein-rich food ingredients for human consumption.

Corporate Responsibilities

Our concern for the social environment was embraced throughout the organization and resulted in further progress toward achieving specific social objectives.

We increased by nearly a third, to \$39 million, the company's aggregate short-term deposits in 27 banking institutions owned by members of racial minorities. Company purchases from hundreds of minority suppliers rose by 80 per cent to more than \$6 million.

Standard and its wholly owned subsidiary, Amoco Venture Capital Company, invested \$230,900 in 12 minority businesses, bringing our total investment in 17 minority businesses to \$729,700 at year-end. Fourteen are black-owned, and three are owned by American Indians.

In further attempts to protect the physical environment, we installed additional water and air purification equipment at many locations, updated contingency plans for spills, deployed more emergency equipment into sensitive areas, and trained operating employees in spill prevention and emergency operation. We installed additional effluent water purification equipment at our

Baltimore and Savannah refineries and Joliet, Ill., chemical plant. The Salt Lake City refinery contracted to have its effluents treated by the city government. In Texas City, we began a \$7.5 million project to improve treatment of water for both our refinery and chemical plants.

We installed air purification equipment at chemical complexes at Texas City and Chocolate Bayou, Tex., and Decatur, Ala., and completed engineering on electrostatic precipitators for the Whiting and Texas City refineries.

Capital expenditures for cleaner air and water programs exceeded \$27 million in 1973.

Labor Relations

We negotiated two-year labor contracts in 1973 covering the majority of our union-represented domestic employees. The contracts included a wage increase of 6 per cent in 1973 and 5 per cent in 1974, comparable with those negotiated elsewhere in the industry. At year-end we had contracts with 152 union locals in effect. We had only one strike during the year, at a single location, for three days.

Production of Canterbury Tales was one of hundreds of dramas in the American College Theater Festival, which we sponsor. The festival encourages participation in dramatic arts by young people.



Financial Review

Earnings. In 1973, earnings were a record \$511,249,000, up 36 per cent from \$374,740,000 in 1972. Earnings per share also were a record \$7.33, an increase of \$1.96 per share over the \$5.37 reported in 1972. Fully diluted net income per share, which would result from the potential exercise or conversion of stock options and convertible

debt outstanding, was \$7.08 in 1973 and \$5.21 in 1972. The return on average shareholders' equity rose to 12.9 per cent in 1973, which is still slightly below the average for all manufacturing companies.

The substantial earnings improvement achieved in 1973 was mainly attributable to petroleum operations. U.S. operations contributed \$380,600,000, a gain of \$92,000,000, or 32 per cent over 1972. Operations in Canada contributed \$42,300,000, up \$21,700,000 from 1972.

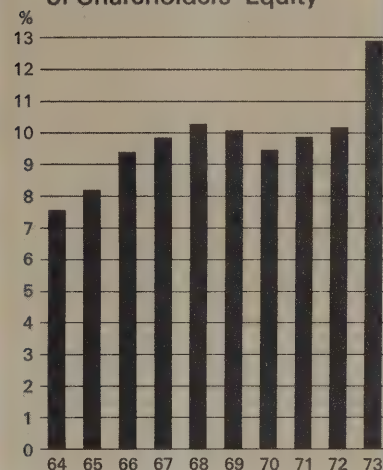
Overseas petroleum operations accounted for an additional \$43,500,000, up from the \$39,300,000 contributed in 1972. Higher crude oil prices were mainly responsible for improved earnings from petroleum operations.

Earnings from worldwide chemical operations contributed \$48,300,000 to earnings in 1973, an increase of \$18,100,000 or 60 per cent over 1972. The earnings increase was attributable to higher sales volume and recovery of prices for certain chemical and plastic products from depressed levels of recent years.

Other activities incurred a loss of \$3,500,000, slightly less than in 1972. Minerals exploration charges were primarily responsible for this adverse earnings impact.

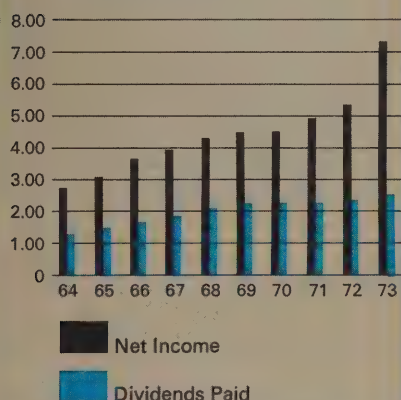
Revenues. Revenues in 1973 totaled \$6,467,639,000, an increase of 18 per cent over

Net Income as Percentage of Shareholders' Equity



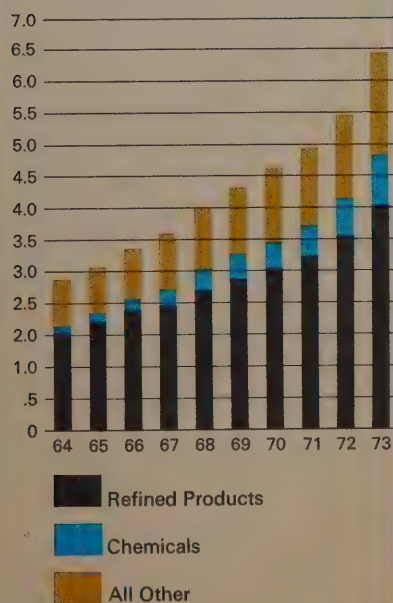
Net Income and Dividends

in dollars per share



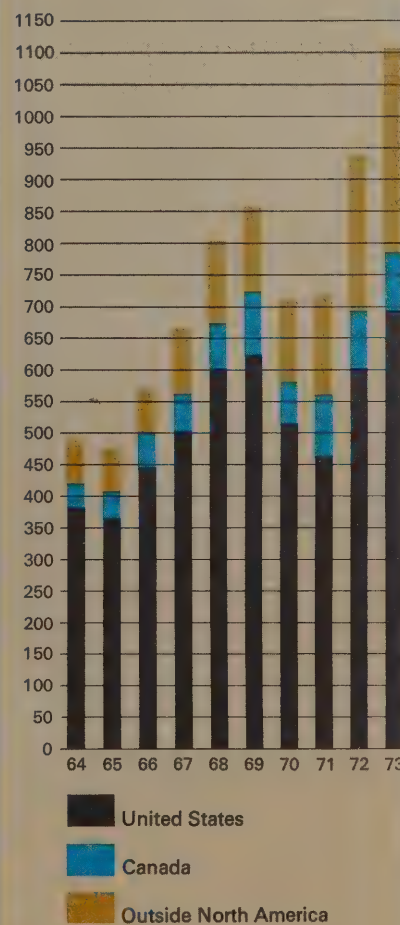
Revenues

in billions of dollars



Capital and Exploration Expenditures

in millions of dollars



Financial Review

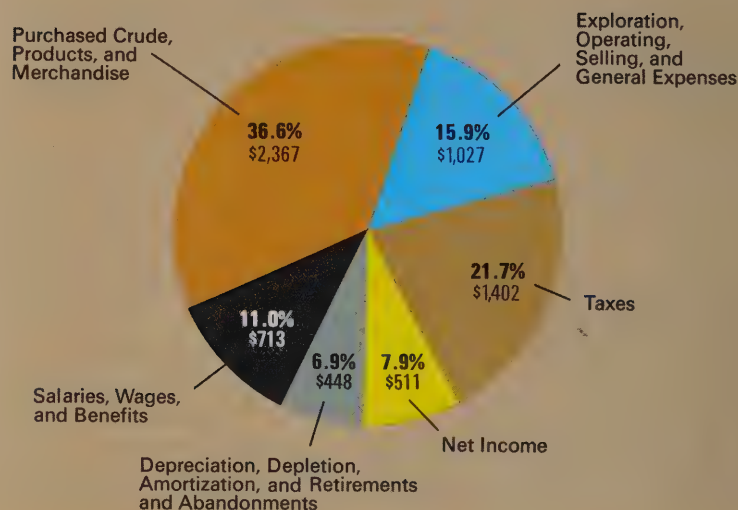
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the 1972 record level. Refined product sales accounted for approximately one-half of the dollar increase, mainly due to higher selling prices arising from the pass-through of sharply escalating costs of raw material and purchased products. Chemical revenues rose substantially, reaching \$771,121,000, an increase of 24 per cent over 1972.

Costs and Expenses. Costs of doing business were generally higher, particularly for taxes and for crude oil purchases. Total costs and expenses were \$5,956,390,000 in 1973, a rise of 17 per cent from the prior year. Taxes totaled \$1,402,309,000

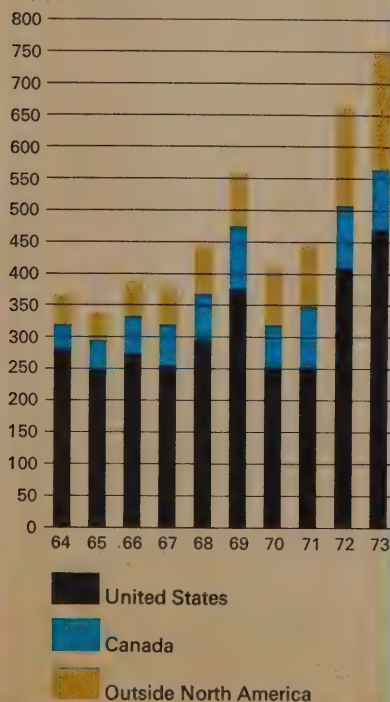
Disposition of the Revenue Dollar

(all income from all sources—in millions of dollars)



Exploration and Production Expenditures

in millions of dollars



in 1973, up 21 per cent. Federal and other income taxes were \$267,659,000, more than double the amount for 1972.

Dividends. The company paid dividends of \$2.584 per share in 1973, an increase of 8 per cent over 1972. This increase was the maximum permitted under the economic stabilization program. Dividend payments totaled \$180,304,000, equal to 35 per cent of 1973 earnings. In January, 1974, the board of directors increased the annual dividend rate to \$3.20 per share.

Capital and Exploration Expenditures. Record capital and exploration expenditures totaled \$1.1 billion, compared with \$941 million in 1972. Approximately 63 per cent of this amount was attributable to

activities within the United States. Exploration and production expenditures accounted for \$747 million of the \$1.1 billion, reflecting an extensive exploration and development program, with emphasis in the United States.

Exploration expenditures charged to current income were \$205 million, an increase of \$14 million from 1972.

Tax Dispute. During the year, the U.S. Internal Revenue Service claimed that the company owed \$49.1 million additional taxes for the years 1967 through 1969. By our own interpretation of tax regulations, and advice of outside tax counsel, we believe we have paid all we owe for those years, a total over \$200 million. We have asked the U.S. tax court to overrule the IRS.

Financial Statements Standard Oil Company (Indiana) and Subsidiaries

For the Years 1973 and 1972

Consolidated Statement of Income

1973

1972

Revenues

Sales and other operating revenues (including excise taxes)	\$6,379,433,000	\$5,400,651,000
Other income	88,206,000	76,338,000
Total revenues	<u>6,467,639,000</u>	<u>5,476,989,000</u>

Costs, Expenses, and Taxes

Purchased crude oil, petroleum products, merchandise, and operating expenses . .	3,100,335,000	2,630,931,000
Exploration expenses, including dry-hole costs	204,772,000	191,074,000
Selling and administrative expenses	720,715,000	665,185,000
Taxes	1,402,309,000	1,162,094,000
Depreciation, depletion, amortization, and retirements and abandonments	448,240,000	383,877,000
Interest expense	78,791,000	67,178,000
Income applicable to minority interest	1,228,000	1,910,000
Total costs, expenses, and taxes	<u>5,956,390,000</u>	<u>5,102,249,000</u>

Net Income	<u>\$ 511,249,000</u>	<u>\$ 374,740,000</u>
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Net Income Per Share	<u>\$7.33</u>	<u>\$5.37</u>
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Fully Diluted Net Income Per Share	<u>\$7.08</u>	<u>\$5.21</u>
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Consolidated Statement of Shareholders' Equity

	Par Value of Capital Stock	Capital in Excess of Par Value	Earnings Retained and Invested in the Business	Treasury Shares at Cost	Total
Balance at December 31, 1971 . . .	\$913,418,000	\$ 73,112,000	\$2,671,001,000	\$(109,556,000)	\$3,547,975,000
Net income			374,740,000		374,740,000
Cash dividends at \$2.392 a share . .			(166,775,000)		(166,775,000)
Capital stock issued	10,368,000	43,151,000			53,519,000
Adjustment arising from acquisition of a pooled company		(885,000)	(743,000)	4,385,000	2,757,000
Acquisitions and disposals of treasury shares (net)				(13,295,000)	(13,295,000)
Balance at December 31, 1972 . . .	<u>923,786,000</u>	<u>115,378,000</u>	<u>2,878,223,000</u>	<u>(118,466,000)</u>	<u>3,798,921,000</u>
Net income			511,249,000		511,249,000
Cash dividends at \$2.584 a share . .			(180,304,000)		(180,304,000)
Acquisitions and disposals of treasury shares (net)				(4,598,000)	(4,598,000)
Balance at December 31, 1973 . . .	<u>\$923,786,000</u>	<u>\$115,378,000</u>	<u>\$3,209,168,000</u>	<u>\$(123,064,000)</u>	<u>\$4,125,268,000</u>

The Notes on pages 28, 29, 30, 31, and 32 are an integral part of these statements.

Consolidated Statement of Financial Position

Standard Oil Company (Indiana) and Subsidiaries

December 31, 1973 and 1972

Assets		1973	1972
Current Assets	Cash	\$ 78,684,000	\$ 83,018,000
	U.S. Government and other marketable securities — at cost, which approximates market	452,932,000	293,774,000
	Accounts and notes receivable (less reserves of \$28,684,000 at December 31, 1973, and \$29,543,000 at December 31, 1972)	1,011,271,000	824,897,000
	Inventories —		
	Crude oil and products	421,552,000	371,611,000
	Materials and supplies	84,710,000	70,028,000
	Prepaid expenses and income taxes	65,653,000	45,616,000
		<u>2,114,802,000</u>	<u>1,688,944,000</u>
Investments and Sundry Assets	Investments held for operating purposes	72,112,000	61,257,000
	Long-term receivables and sundry assets (including, at December 31, 1973 and 1972, respectively, installment notes receivable of \$33,164,000 and \$41,455,000 from sale, in 1960, of certain gas and oil properties, less deferred income of \$30,026,000 and \$37,533,000; and less reserves of \$9,968,000 and \$5,145,000)	129,183,000	152,591,000
		<u>201,295,000</u>	<u>213,848,000</u>
Properties	— at cost, less depreciation, depletion, and amortization reserves of \$3,565,435,000 at December 31, 1973, and \$3,308,844,000 at December 31, 1972	4,701,916,000	4,283,450,000
		<u>\$7,018,013,000</u>	<u>\$6,186,242,000</u>

Liabilities and Shareholders' Equity		1973	1972
Current Liabilities	Current installments of long-term debt	\$ 41,809,000	\$ 37,544,000
	Notes payable	45,720,000	32,175,000
	Accounts payable and accrued liabilities	903,491,000	743,487,000
	Taxes payable (including income taxes)	348,382,000	193,186,000
		<u>1,339,402,000</u>	<u>1,006,392,000</u>
Long-Term Debt		<u>1,235,130,000</u>	<u>1,061,522,000</u>
Deferred Credits	Income taxes	285,763,000	274,221,000
	Sale of future production	28,698,000	42,235,000
		<u>314,461,000</u>	<u>316,456,000</u>
Minority Interest in Subsidiary Companies		<u>3,752,000</u>	<u>2,951,000</u>
Shareholders' Equity	Capital stock	923,786,000	923,786,000
	Capital in excess of par value	115,378,000	115,378,000
	Earnings retained and invested in the business	3,209,168,000	2,878,223,000
		<u>4,248,332,000</u>	<u>3,917,387,000</u>
	Less — Capital stock held in treasury — at cost	123,064,000	118,466,000
		<u>4,125,268,000</u>	<u>3,798,921,000</u>
		<u>\$7,018,013,000</u>	<u>\$6,186,242,000</u>

The statement of Investment in Properties on page 27 and the Notes on pages 28, 29, 30, 31, and 32 are an integral part of these statements.

Consolidated Statement of Changes in Financial Position

1973

1972

Source of Funds	Net income	\$ 511,249,000	\$ 374,740,000
	Expenses not requiring outlay of working capital:		
	Depreciation, depletion, amortization, and retirements and abandonments	448,240,000	383,877,000
	Deferred income taxes — non-current	11,542,000	37,008,000
	Funds provided from operations	971,031,000	795,625,000
	Capital stock issued	—	53,519,000
	New borrowings	255,953,000	100,099,000
Application of Funds	Dispositions of property	34,093,000	46,519,000
	Total	<u>\$1,261,077,000</u>	<u>\$ 995,762,000</u>
	Capital expenditures	\$ 900,799,000	\$ 749,499,000
	Dividends paid	180,304,000	166,775,000
	Reduction of long-term debt	82,345,000	66,663,000
	Increase (decrease) in long-term receivables and sundry assets	(23,408,000)	10,274,000
	Increase in treasury shares held	4,598,000	8,910,000
Working Capital	Miscellaneous	23,591,000	8,952,000
	Increase (decrease) in working capital	92,848,000	(15,311,000)
	Total	<u>\$1,261,077,000</u>	<u>\$ 995,762,000</u>
	Increase in current assets:		
	Cash, U.S. Government and other marketable securities ...	\$ 154,824,000	\$ 88,834,000
	Accounts and notes receivable — net	186,374,000	113,347,000
	Inventories	64,623,000	10,118,000
	Prepaid expenses and income taxes	20,037,000	10,669,000
	(Increase) in current liabilities:		
	Current installments of long-term debt	(4,265,000)	(3,017,000)
	Notes payable	(13,545,000)	(17,861,000)
	Accounts payable and accrued liabilities	(160,004,000)	(179,790,000)
	Taxes payable (including income taxes)	(155,196,000)	(37,611,000)
	Increase (decrease) in working capital	<u>\$ 92,848,000</u>	<u>\$ (15,311,000)</u>

Investment in Properties (Thousands of Dollars)

	1973 Capital Expenditures		Investment December 31, 1973			Investment December 31, 1972	
	Amount	%	Gross	Net	%	Net	%
Production	\$542,655	60%	\$4,380,880	\$2,441,722	52%	\$2,156,177	50%
Manufacturing	67,055	7	1,159,468	528,825	11	509,118	12
Chemicals	67,883	8	731,361	509,969	11	503,141	12
Transportation	136,846	15	857,982	452,883	10	348,420	8
Marketing	68,064	8	1,030,712	699,145	15	708,685	17
Other	18,296	2	106,948	69,372	1	57,909	1
Total	<u>\$900,799</u>	<u>100%</u>	<u>\$8,267,351</u>	<u>\$4,701,916</u>	<u>100%</u>	<u>\$4,283,450</u>	<u>100%</u>

The Notes on pages 28, 29, 30, 31, and 32 are an integral part of these statements.

Notes to the Financial Statements

Summary of Significant Accounting Policies —

The company's accounting policies conform to generally accepted accounting principles. A summary of significant accounting policies is presented below.

Principles of Consolidation — The accounts of all domestic and foreign subsidiaries in which the company directly or indirectly owns more than 50 per cent of the voting stock are included in the consolidated financial statements, except for Imperial Casualty and Indemnity Company, Amoco Realty Company, and Amoco Credit Corporation. Investments in unconsolidated subsidiaries and in other companies in which less than a majority interest is held are accounted for on the equity method.

Translation of Foreign Currencies — The procedures followed in translating items recorded in foreign currencies into United States dollars are in general: (1) current assets and current liabilities at rates of exchange in effect at the year-end, (2) investments, properties, and long-term debt at historical rates, and (3) income, costs, and expenses at average rates of exchange during the period, except depreciation, depletion, and amortization which are based on the dollar costs of the properties. Gains and losses resulting from such translations and any gains or losses on forward exchange contracts are reflected in income as they occur, and have not been material.

In the accompanying balance sheets, foreign currency long-term receivables and long-term debt have been translated at historical rates. Translation of such items at the rates of exchange in effect at the balance sheet dates would not materially change the reported amounts.

Inventories — Crude oil and product inventories are valued at the lower of cost or market, determined mainly on a LIFO (last-in, first-out) basis. Inventories of materials and supplies are valued at the lower of average cost or market.

Depreciation, Depletion, and Amortization —

In general, depreciation of plant and equipment is computed on a straight-line basis over the estimated economic life of the facilities. Depletion of producing properties and amortization of intangible drilling and development costs applicable to productive wells are computed on the unit-of-production method, based on estimated net recoverable oil and gas reserves. Costs of non-producing property are capitalized and amortized over projected holding periods based on past experience.

Retirements — Upon normal retirement or replacement of facilities, the gross book value of such facilities (less salvage) is charged to the depreciation reserve and eliminated from the property accounts. Gains or losses arising from abnormal retirements or sales are credited or charged to income.

Maintenance and Repairs — All maintenance and repair costs are charged against income. Renewals and improvements are capitalized.

Exploration Expenses — The geological and geophysical costs incurred in connection with the acquisition or retention of acreage are capitalized, and the other costs are charged against income. Lease rental expense and dry-hole expense are charged against income as incurred.

Research and Development Costs — Expenditures for research and development activities are charged to income as incurred.

Income Taxes — Provision is made in the company's accounts to reflect the federal income tax effects of certain transactions included in financial results in a period different from the period in which they are included for income tax purposes, except that no such provision is made for statutory depletion and intangible drilling and development costs, which, for income tax purposes, are expensed as incurred. Investment tax credits are reflected in income as realized. No provisions have been made for income taxes on undistributed earnings of \$127,710,000 of foreign subsidiaries at December 31, 1973, since substantially all of these earnings have been or are intended to be reinvested in foreign operations.

Net Income per Share — Net income per share is computed based on the weighted average number of shares outstanding during each year. Fully diluted net income per share computations are based on the assumed conversion of all outstanding convertible debentures and dilutive stock options, and after giving effect to the elimination of related interest expense, net of taxes, applicable to the convertible debentures.

Investments — The principal investment included with investments held for operating purposes in the Consolidated Statement of Financial Position is the company's investment in Amoco Credit Corporation, a wholly owned non-consolidated subsidiary. The investment is accounted for on the equity method and was \$33,065,000 at December 31, 1973, and \$29,721,000 a year earlier. At December 31, 1973, Amoco Credit had \$178,422,000 of receiv-

ables (net) and \$146,686,000 of short-term debt; at December 31, 1972, the comparable amounts were \$170,227,000 and \$142,100,000, respectively. Net income of Amoco Credit was \$3,344,000 for 1973 and \$1,384,000 for 1972.

Capital Stock — Of an authorized 200,000,000 shares of \$12.50 par value common stock, 73,902,916 shares have been issued. There were 69,801,461 shares outstanding at December 31, 1973, compared with 69,818,706 shares outstanding at December 31, 1972. The decrease in shares outstanding resulted entirely from treasury stock transactions as shown in the adjacent column.

At December 31, 1973, 2,830,698 shares of the company's common shares were reserved for conversion of its 5% convertible subordinated debentures and 632,103 shares were reserved for conversion of Amoco International Finance Corporation's 5½% convertible guaranteed debentures. At the end of 1973, about 8 per cent of the company's outstanding shares of common stock were held by the trustee for the employee savings plan.

	1973		1972	
	Shares (000's)	Amount (Millions)	Shares (000's)	Amount (Millions)
Capital shares at January 1	73,902.9	\$923.8	73,073.5	\$913.4
Issued in exchange for Midwest Oil Corp. shares	—	—	829.4	10.4
Capital shares at December 31 . . .	73,902.9	\$923.8	73,902.9	\$923.8
Treasury shares at January 1	4,084.2	\$118.5	4,002.1	\$109.6
Purchases	437.8	37.9	395.5	29.1
Sales to trustee under employee savings plan	(318.1)	(27.5)	(188.7)	(13.2)
Sales to employees under management incentive plans	(62.0)	(3.2)	(54.6)	(2.6)
Used in business acquisitions	(.1)	—	(69.8)	(4.4)
Issued upon conversion of Convertible Debentures .	(40.4)	(2.6)	(.3)	—
	17.2	4.6	82.1	8.9
Treasury shares at December 31	4,101.4	\$123.1	4,084.2	\$118.5
Net shares outstanding at December 31 . . .	69,801.5		69,818.7	

Long-Term Debt

Debt due after one year consists of the following:

Standard Oil Company (Indiana) —

	1973	1972
6% Debentures due 1979 to 1998	\$ 200,000,000	\$ 200,000,000
5% Convertible Subordinated Debentures due 1982 to 1996	199,564,000	200,000,000
6% Debentures due 1975 to 1991	150,500,000	156,625,000
4½% Debentures due 1975 to 1983	119,146,000	126,954,000
8¾% Debentures due 1975 to 1988	35,000,000	—
8½% Debentures due 1975 to 1988	30,000,000	—
3% Debentures due 1975 to 1979	16,306,000	17,792,000
8% Bonds due 1975 to 1988	52,420,000	—
6% Bonds due 1984 to 1988	28,264,000	—
2.90%, 3%, and 8½% Promissory Notes due 1975 to 1980	64,510,000	33,494,000
Amoco Chemicals Corporation 4.571% to 6% Promissory Notes due 1975 to 1981 .	25,716,000	35,409,000
Amoco Pipeline Company 3.20% Debentures due 1982, exclusive of \$10,200,000 principal amount repurchased as of December 31, 1973	22,000,000	22,000,000
Amoco International Finance Corporation 5½% and 6¾% Guaranteed Bonds, 5½% Convertible Guaranteed Debentures due 1975 to 1984, and 8% Guaranteed Debentures due 1975 to 1987	99,568,000	105,440,000
Amoco Oil Holdings S.A. 5¾% Guaranteed Bonds due 1975 to 1985	16,180,000	17,650,000
N.V. Amoco Chemicals Belgium S.A. 7¼% Promissory Notes due 1975 to 1983 . .	22,298,000	18,000,000
Amoco Finance Corporation 7% Promissory Notes due 1976 to 1978, 7½% Guaranteed Notes due 1980, and 7½% Promissory Notes due 1981 and 1988 .	104,676,000	44,676,000
Other indebtedness	48,982,000	83,482,000
	<u>\$1,235,130,000</u>	<u>\$1,061,522,000</u>

Annual maturities of long-term debt during the next five years are:

1974 — \$41,809,000 (included in current liabilities); 1975 — \$44,736,000;
1976 — \$47,733,000; 1977 — \$44,840,000; and 1978 — \$42,311,000.

Notes (continued)

Incentive Compensation Plans — In May, 1967 and 1971, shareholders approved incentive compensation plans for key executives. Bonuses, which may be in cash and/or company stock, are awarded from a special reserve. The reserve provision in each bonus year may not exceed 3 per cent of the amount by which earnings (as defined in the plans) exceed 7 per cent of capital employed (as defined in the plans) during the year. Amounts charged against earnings and credited to a bonus reserve, in anticipation of awards to be made in the following year, were \$5,903,000 in 1973 and \$3,399,000 in 1972.

Awards of \$3,063,600 were made to 231 employees in 1973, and of \$2,676,000 to 228 employees in 1972. The 1971 plan provides that half of each employee's award, up to 15 per cent of his salary, be included in the earnings base for retirement and some other benefit plans.

Incentive Stock Option Plans — Under successive stock option plans, begun May 7, 1953, options have been granted to key employees to buy company stock. The share price under options granted before May 2, 1963, was 95 per cent of the fair market value on the granting date, with options normally extending 10 years. The share price under qualified options granted after May 2, 1963, is 100 per cent of the fair market value on the date of grant; these options normally extend five years. Non-qualified options under the plan approved by stockholders in 1971 are granted at 100 per cent of the fair market value and normally extend for 10 years.

When options are exercised, the shares may be taken from authorized but unissued stock or may be reacquired shares. No options may be granted under current plans after December 31, 1976. On January 1, 1973, options for 215,960 shares were outstanding under the plans, and 685,000 shares were available for future grants. Options for 62,000 shares were exercised during the year at prices ranging from \$24.94 to \$66.38 a share. Outstanding options for 400 shares expired and became available for future grants. In 1973, new options were granted for 118,930 shares at prices ranging from \$86.25 to \$99.25 a share. At year-end, executives held options for 272,490 shares, and 566,470 shares were available for future grants.

Retirement Plan — The company and its subsid-

aries have retirement plans available to essentially all employees, providing benefits under trust funds and contracts with insurance companies. The company's actuarially calculated funding liability, substantially all of which was borne by the company, of \$29 million for 1973 and \$24 million for 1972, was funded and charged against earnings. At year-end, assets of trust funds, with securities valued at cost, totaled \$527 million, and funds on deposit with insurance companies totaled \$155 million. In all, \$682 million was available to finance benefits.

Contingent Liabilities — In 1963, the Federal Power Commission asserted jurisdiction over the price at which certain producing properties were sold in 1960. In 1965, the U.S. Supreme Court ruled the sale was subject to FPC regulation. The FPC's order on remand essentially approved the transaction and FPC regulation of the sale will not materially affect Standard's financial position.

Standard is contingently liable for \$84,085,000 as guarantor on outstanding loans of others. Also, under long-term agreements with some companies in which it holds stock interests, the company has guaranteed specified revenues from crude and product shipments. Under certain conditions, it is obligated to provide funds to maintain working capital at specified minimums. No loss is anticipated from these obligations.

At year-end, Standard had substantial commitments to acquire or build facilities in the normal course of business.

The Federal Trade Commission last July sued the nation's eight largest oil companies, including Standard Oil Company (Indiana). The FTC's complaint questions whether the structure of the oil industry, which includes many large companies, is anti-competitive and specifically challenges the vertical integration of many companies in the industry and a variety of practices, such as jointly owned pipelines, product exchanges, and joint bidding for offshore leases. The states of Connecticut and Florida filed similar suits, and several class actions were filed on behalf of independent marketers, dealers, and consumers. Standard believes that the charges made against the companies in these suits, while serious, are without foundation. It is impossible to predict the financial consequences of an adverse decision in any of these cases.

Lease Commitments — The company leases various types of properties including service stations, tankers, buildings and other facilities, certain of which are in turn subleased to others. Total rental expense and related rental income for the years ended December 31, 1973 and 1972, applicable to such properties, segregated as between minimum rentals and those based on usage or sales, are set forth below.

(Thousands of Dollars)	Gross Rental Expense	Related Rental Income	Net Rental Expense	Memo: Amounts Applicable to Non- Capitalized Financing Leases		
				Rental Expense	Rental Income	Net Rental Expense
1973: Minimum Rentals	\$135,954	\$20,131	\$115,823	\$27,014	\$ 6,856	\$20,158
Contingent Rentals	23,484	30,416	(6,932)	2,629	14,986	(12,357)
Total	\$159,438	\$50,547	\$108,891	\$29,643	\$21,842	\$ 7,801
1972: Minimum Rentals	\$110,478	\$20,470	\$90,008	\$20,005	\$ 6,941	\$13,064
Contingent Rentals	20,394	31,506	(11,112)	2,824	15,895	(13,071)
Total	\$130,872	\$51,976	\$ 78,896	\$22,829	\$22,836	\$ (7)

Contingent rentals are mainly comprised of service station rentals based on gallonage sold. Non-capitalized financing leases (as defined by the Securities and Exchange Commission) consist of non-cancellable leases which cover 75 per cent or more of the economic life of the leased facility, or have terms which essentially assure the lessor full recovery of his investment plus a reasonable return.

The estimated minimum rentals payable and related rental income applicable to non-cancellable leases existing at December 31, 1973, are as follows:

(Thousands of Dollars) Period	Rentals Payable	Rental Income	Net Rental Commitments	Memo: Amounts Applicable to Non- Capitalized Financing Leases		
				Rentals Payable	Rental Income	Net Rental Commitments
1974	\$140,175	\$28,555	\$111,620	\$ 36,527	\$11,134	\$ 25,393
1975	150,368	27,398	122,970	44,706	11,411	33,295
1976	136,148	25,768	110,380	47,444	10,718	36,726
1977	99,685	23,666	76,019	50,061	9,947	40,114
1978	79,664	21,418	58,246	48,989	9,105	39,884
1979-83	343,065	72,247	270,818	244,611	33,505	211,106
1984-88	314,627	53,875	260,752	238,021	25,247	212,774
1989-93	293,288	34,647	258,641	226,067	14,255	211,812
After	267,249	31,630	235,619	223,591	11,606	211,985

The net rental commitments for all non-cancellable leases as set forth in the preceding tabulation, segregated by major categories of properties, range from: (1) \$8,978,000 in 1974 to \$7,592,000 in 1978 with lesser amounts thereafter as to service stations; (2) \$61,375,000 in 1974 to \$11,360,000 in 1978 with lesser amounts thereafter as to tankers; (3) \$28,120,000 in 1974 to \$22,022,000 in 1978 with lesser amounts thereafter as to buildings; and (4) \$13,147,000 in 1974 to \$17,272,000 in 1978 with lesser amounts thereafter as to all other facilities.

The present values of commitments for non-capitalized financing leases at December 31, 1973 and 1972, by major categories of properties are as follows:

(Thousands of Dollars)	Present Value of Lease Commitments					Less Present Value of Related Rental Income	Net Present Value of Lease Commitments
	Service Stations	Tankers	Buildings	Other	Total		
December 31,							
1973	\$71,059	\$96,628	\$257,395	\$67,980	\$493,062	\$81,268	\$411,794
1972	75,702	3,491	182,975	7,583	269,751	64,833	204,918

The weighted average interest rates for the range of interest rates used in the present value determination for the years 1972 and 1973 were: 1972 — 7.2% (3.0% to 10.3%) and 1973 — 7.4% (3.0% to 10.3%).

Notes (continued)

Taxes — Taxes totaled \$1,402,309,000 for 1973 and \$1,162,094,000 for 1972. The principal taxes, including excise taxes on products sold, are shown below. Federal taxes on income were reduced by investment credits of \$14,684,000 in 1973 and \$16,375,000 in 1972.

(Thousands of Dollars)	1973	1972
Excise taxes.....	\$ 963,457	\$ 897,279
Income taxes		
Federal	165,642	48,060
Foreign	87,339	40,214
Deferred — federal and foreign..	11,135	27,929
State	3,543	7,116
Property taxes	68,445	59,865
Production taxes	55,449	41,044
Social security taxes, corporation taxes, import duties, etc.	47,299	40,587
	<u>\$1,402,309</u>	<u>\$1,162,094</u>

Provisions for taxes on income were \$267,659,000 in 1973 and \$123,319,000 in 1972. The company's effective income tax rate is less than the United States corporate statutory rate principally because of taxation of foreign income at a variety of tax rates, investment tax credits, depletion

allowances and current deductions of intangible drilling and development costs.

The Internal Revenue Service has examined federal income tax returns for years through December 31, 1969, and has proposed additional tax assessments for years 1967 through 1969 amounting to \$49,100,000. The company believes the proposed assessments are in large part without merit and intends to resist the IRS claim in the courts. While it is not possible at this time to predict the outcome, the company believes adequate provision has been made for any federal income taxes which may be payable for 1973 and prior years.

Midwest Oil Settlement — Standard will acquire the currently outstanding 5 per cent minority interest in its subsidiary Midwest Oil Corporation by the issuance of approximately 185,000 shares of Standard stock under the terms of settlement of a lawsuit filed in 1971 by minority stockholders of Midwest. The settlement also provides for the payment of approximately \$19,000,000 in cash and Standard stock to certain former Midwest shareholders who tendered, sold, or exchanged Midwest shares in earlier transactions.

Summary of Net Assets, Revenues, and Earnings by Lines of Business.

(In Millions of Dollars)

	Net Assets		Revenues		Earnings	
	1973	1972	1973	1972	1973	1972
Petroleum Operations						
U.S.	\$2,628.5	\$2,468.3	\$4,663.4	\$4,113.5	\$380.6	\$288.6
Canada	418.7	395.7	160.6	121.3	42.3	20.6
Overseas	674.9	555.1	872.5	619.0	43.5	39.3
Chemicals	403.2	379.8	771.1	623.2	48.3	30.2
Other	—	—	—	—	(3.5)	(4.0)
Total	<u>\$4,125.3</u>	<u>\$3,798.9</u>	<u>\$6,467.6</u>	<u>\$5,477.0</u>	<u>\$511.2</u>	<u>\$374.7</u>

Report of Independent Accountants

Price Waterhouse & Co.

To the Board of Directors of Standard Oil Company (Indiana)

In our opinion, the accompanying consolidated statements of financial position and the related consolidated statements of income, shareholders' equity and changes in financial position present fairly the consolidated financial position of Standard Oil Company (Indiana) and its consolidated subsidiary companies at December 31, 1973 and 1972, the results of their operations and changes in their financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied. Our examinations of these statements were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Chicago, Illinois
February 27, 1974

Price Waterhouse & Co.

Ten-Year Operating Summary Standard Oil Company (Indiana) and Subsidiaries

Exploration and Development

Net Producing and Prospective Acreage at Year-End (thousands of acres)			Net Wells Drilled					Net Oil & Gas Wells Owned (year-end)
Year	Producing Leases	Undeveloped Leases	Exploratory		Development		Total	
	U.S. & Canada	U.S. & Canada	Oil & Gas	Dry	Oil & Gas	Dry		
1973	3,084	30,317	68	177	871	92	1,208	19,051
1972	3,019	27,353	53	145	808	124	1,130	18,836
1971	2,979	23,428	121	174	493	102	890	18,718
1970	2,963	17,932	37	168	800	114	1,119	18,964
1969	2,942	18,337	58	290	603	124	1,075	18,880
1968	3,061	15,663	100	323	488	143	1,054	20,633
1967	2,967	12,633	66	221	521	131	939	20,629
1966	2,907	11,594	78	192	656	181	1,107	20,332
1965	2,777	12,736	66	186	911	163	1,326	19,870
1964	2,671	15,349	85	253	869	132	1,339	19,113

Production

Year	Net Production of Crude Oil and Natural Gas Liquids (thousands of barrels per day)				Natural Gas (millions of cubic feet per day)	Natural Gas Sold (millions of cubic feet per day)	Net Proved Reserves	
	United States	Canada	Overseas	Total			U.S. and Canada at Year-End	
							Crude Oil and Natural Gas Liquids (thousands of barrels)	Natural Gas (billions of cubic feet)
1973	529	88	258	875	3,935	3,933	2,886,708	16,250
1972	487	78	250	815	3,911	3,949	3,018,390	17,215
1971	469	63	237	769	3,631	3,642	3,122,825	18,333
1970	466	58	220	744	3,510	3,454	3,237,600	19,029
1969	452	48	184	684	3,313	3,267	3,300,960	20,379
1968	447	44	152	643	2,833	2,727	3,271,064	20,464
1967	430	41	106	577	2,738	2,622	3,231,789	19,996
1966	405	38	72	515	2,533	2,427	3,159,857	19,839
1965	390	34	60	484	2,374	2,245	3,043,794	19,196
1964	365	30	40	435	2,186	2,109	2,964,760	18,580

Manufacturing

Marketing

Transportation

			Refined Products Sold (thousands of barrels per day)					
	Input to Crude Units	Operable Refinery Capacity (year-end)	Gasoline (including natural gasoline)	Heating Oils and Diesel Fuels	Residual Fuel Oil	Other Products	Total	Pipelines Owned, Miles (year-end)
Year	(thousands of barrels per day)							
1973	1,100	1,248	566	337	110	221	1,234	13,945
1972	1,016	1,125	546	353	109	218	1,226	13,943
1971	974	1,073	504	308	94	217	1,123	13,904
1970	968	1,125	491	276	110	197	1,074	13,965
1969	965	1,056	482	270	93	190	1,035	14,303
1968	920	1,045	459	252	86	180	977	16,590
1967	849	995	430	233	79	160	902	16,788
1966	806	895	435	222	81	157	895	16,591
1965	750	807	400	210	85	145	840	16,645
1964	709	774	384	198	74	136	792	16,978

Ten-Year Financial Summary Standard Oil Company (Indiana) and Subsidiaries

(Dollar amounts in millions except where noted)

Sales and Other Operating Revenues (including excise taxes)

Year	Refined Products	Crude Oil	Natural Gas	Chemicals, Plastics, and Fertilizers	Other Sales and Operating Revenues	Total Operating Revenues	Total Revenues
1973	\$4,038	\$971	\$337	\$750	\$283	\$6,379	\$6,468
1972	3,506	736	295	602	262	5,401	5,477
1971	3,223	678	246	482	261	4,890	4,965
1970	3,045	618	217	392	278	4,550	4,621
1969	2,857	548	204	383	252	4,244	4,332
1968	2,693	500	160	352	237	3,942	4,002
1967	2,465	494	153	232	215	3,559	3,613
1966	2,405	417	136	178	193	3,329	3,377
1965	2,205	397	130	141	176	3,049	3,089
1964	2,038	412	125	111	162	2,848	2,884

Financial Condition at Year-End

Year	Total Assets	Working Capital	Current Ratio	Long-term Debt	Shareholders' Equity	Shareholders' Equity Per Share	Return on Shareholders' Average Equity
1973	\$7,018	\$775	1.58 to 1	\$1,235	\$4,125	\$59.10	12.9%
1972	6,186	683	1.68 to 1	1,062	3,799	54.41	10.2
1971	5,641	698	1.91 to 1	1,028	3,548	51.37	9.9
1970	5,389	484	1.53 to 1	839	3,358	48.77	9.5
1969	5,164	544	1.66 to 1	890	3,220	46.56	10.1
1968	4,751	681	2.06 to 1	818	3,083	43.51	10.3
1967	4,204	641	2.17 to 1	512	2,937	41.41	9.8
1966	3,985	720	2.48 to 1	506	2,795	39.57	9.4
1965	3,704	569	2.33 to 1	350	2,715	38.35	8.2
1964	3,459	530	2.62 to 1	340	2,618	36.90	7.6

Exploration and Development Costs

Year	New and Renewed Leases	Wells and Production Facilities	Dry Holes	Lease Rentals	Overhead and Other Exploration Expenses	Total Cash Expenditures for Exploration and Development
1973	\$188	\$354	\$98	\$23	\$84	\$747
1972	132	335	95	21	75	658
1971	55	240	67	15	65	442
1970	61	214	64	14	55	408
1969	178	218	85	15	57	553
1968	85	206	80	12	58	441
1967	45	196	67	11	57	376
1966	55	182	75	11	60	383
1965	63	152	53	13	54	335
1964	59	176	61	14	53	363

Net Income			Dividends		Taxes		Year
Total	Per Share	Fully Diluted Per Share	Total Value	Per Share (in dollars)	Excise Taxes	Total Taxes Including Excise Taxes	
\$511	\$7.33	\$7.08	\$180	\$2.584	\$963	\$1,402	1973
375	5.37	5.21	167	2.392	897	1,162	1972
341	4.94	4.82	159	2.300	836	1,080	1971
311	4.51	4.49	159	2.300	817	1,064	1970
319	4.51	4.51	163	2.300	749	973	1969
309	4.36	4.35	149	2.100	704	906	1968
281	3.97	3.96	135	1.900	618	813	1967
258	3.66	3.65	120	1.700	598	769	1966
219	3.10	3.09	110	1.550	553	724	1965
195	2.75	2.74	94	1.325	505	627	1964

Funds Provided from Operations	Capital Expenditures	Exploration Expenditures Including Dry Holes	Shareholders at Year-End		Employees		Year
			Number (in thousands)	Shares Outstanding (in thousands)	Number at Year-End	Wages and Benefits	
\$971	\$901	\$205	163	69,801	46,589	\$713	1973
796	750	191	169	69,819	46,627	663	1972
692	573	147	173	69,071	47,664	635	1971
677	580	133	179	68,848	47,551	582	1970
640	700	157	173	69,160	48,373	535	1969
599	654	150	173	70,856	47,974	497	1968
553	517	135	172	70,906	45,528	445	1967
500	424	146	173	70,647	43,111	408	1966
494	358	120	171	70,795	41,283	383	1965
434	360	128	161	70,927	40,854	367	1964

If you would like to receive the Financial and Statistical Supplement to the 1973 Annual Report, or the Form 10-K annual report to the Securities and Exchange Commission, please send your request to the Secretary, Standard Oil Company (Indiana), P.O. Box 5910-A, Chicago, Illinois 60680.

Board of Directors

March 1, 1974



The company's board of directors inspected the Chocolate Bayou, Tex., chemical complex in September, 1973. From left to right are board members Farrell, Yost, Malott, Cudd, Gunness, Yarrington, May, Myers, Swearingen, Wright, Wood, Rasmussen, Bugas, and Osment. Conducting the tour (back to camera) is Leslie T. Larson, plant manager.

Directors

John E. Swearingen, *Chairman of the Board*

Robert C. Gunness, *Vice Chairman*

George V. Myers, *President*

Richard J. Farrell, *Vice President Law and Public Affairs*

Herschel H. Cudd, *Senior Vice President*

L. Chester May, *Vice President Finance*

* John S. Bugas, *Personal Investments*

F. Randolph Yost, *Senior Vice President*

* Joseph S. Wright, *Chairman
Zenith Radio Corporation*

Frank C. Osment, *Executive Vice President*

Blaine J. Yarrington, *Executive Vice President*

* Arthur E. Rasmussen, *Chairman of the Executive Committee
Household Finance Corporation*

Robert H. Malott, *Chairman and President
FMC Corporation*

Richard D. Wood, *Chairman
Eli Lilly and Company*

George H. Galloway, *President
Amoco Production Company*

Additional Officers

F. Cushing Smith, *Vice President*

Jack M. Tharpe, *Vice President*

William W. Spear, *Vice President*

James W. Cozad, *Vice President*

John C. Vredenburgh, *Treasurer*

Victor H. Brown, *Controller*

Robert D. Thompson, *Secretary*

* Members of Audit Committee chaired by Mr. Bugas.

Standard Oil Company (Indiana)

Executive Changes

On February 28, 1974, President Robert C. Gunness was elected to the new position of vice chairman, and Executive Vice President George V. Myers was elected president and chief operating officer of Standard Oil. John E. Swearingen continues as chairman and chief executive officer.

F. Randolph Yost and Herschel H. Cudd were elected senior vice presidents. Yost was president of Amoco Production Company until July 1, 1973, and since then was a Standard Oil vice president. Cudd was president of Amoco Chemicals Corporation.

Frank C. Osment, formerly president of Amoco International Oil Company, and Blaine J. Yarrington, who had been president of Amoco Oil Company, were elected executive vice presidents of Standard Oil.

Executive vice presidents of three major subsidiaries were elected presidents of their organizations. They are John E. Kasch, Amoco International Oil Company; Richard M. Morrow, Amoco Chemicals Corporation, and Walter R. Peirson, Amoco Oil Company.

George H. Galloway, who became president of Amoco Production Company effective July 1, 1973, was elected a director of Standard Oil on February 28, 1974.

Robert H. Malott, chairman, president, and chief executive officer of FMC Corporation, and Richard D. Wood, chairman of Eli Lilly and Company, were elected directors of Standard Oil on February 22, 1973.

Principal Subsidiaries and Affiliates Standard Oil Company (Indiana)

	Principal business	Principal area of operation	Per Cent Owned
North America			
Amoco Production Company	Exploration and production	United States	100
Midwest Oil Corporation	Exploration and production	United States and Canada	95
Amoco Canada Petroleum Company, Ltd.	Exploration, production, and chemicals	Canada	100
Amoco Pipeline Company	Pipeline transportation	United States	100
Amoco Gas Company	Purchase, transport, and sale of natural gas	Texas, New Mexico	100
Amoco Oil Company	Refining, transportation, and marketing	United States	100
Amoco Chemicals Corporation	Manufacture and sale of chemical products	United States and abroad	100
Amoco International Oil Company	Direction of exploration, production, refining, transportation, and marketing	Outside North America	100
Imperial Casualty and Indemnity Company	Insurance	United States	100
Amoco Shipping Company	Marine transportation	United States	100
Amoco Minerals Company	Minerals exploration and production	Worldwide	100
Amoco Fabrics Company	Manufacture and sale of synthetic fabrics	United States	100
Amoco Realty Company	Real Estate	United States	100
Latin America			
Amoco Argentina Oil Company	Exploration and production	Argentina	100
Amoco Bolivia Petroleum Company	Exploration and production	Bolivia	100
Amoco Colombia Oil Company	Exploration and production	Colombia	100
Amoco Ecuador Petroleum Company	Exploration and production	Ecuador	100
Amoco Trinidad Oil Company	Exploration and production	Trinidad	100
Amoco Venezuela Oil Company	Purchase and sale of oil	Venezuela	100
Amoco Trading International, Ltd.	Exploration and production	Outside North America	100
Amoco Guatemala Petroleum Company	Exploration and production	Guatemala	100
Europe			
Amoco Europe, Inc.	Coordination of European activities	Europe	100
Amoco Hanseatic Petroleum Company	Exploration and production	West Germany	100
Amoco Netherlands Petroleum Company	Exploration and production	Netherlands	100
Amoco Norway A/S	Exploration and production	Norway	100
Amoco Norway Oil Company	Exploration and production	Norway	100
Amoco (U.K.) Exploration Company	Exploration and production	United Kingdom	100
Amoco (U.K.) Ltd.	Marketing	United Kingdom	100
Amoco Italia, S.p.A.	Refining and marketing	Italy	100
Amoco Deutschland GmbH	Marketing	West Germany	100
N.V. Amoco Chemicals Belgium S.A.	Manufacture and sale of chemical products	Belgium	100
Amoco Fina S.A.	Manufacture of lubricating oil additives	Belgium	50
Africa			
Amoco Ghana Exploration Company	Exploration and production	Ghana	100
Amoco Mauritania Petroleum Company	Exploration and production	Mauritania	100
Mozambique Amoco Oil Company	Exploration and production	Mozambique	80
Amoco Libya Oil Company	Exploration and production	Libya	100
Amoco Egypt Oil Company	Exploration and production	Egypt	100
Gulf of Suez Petroleum Company	Exploration and production	Egypt	50
Amoco Transport Company	Ocean transportation	Worldwide	100
Amoco Liberia Exploration Company	Exploration and production	Liberia	100
Amoco Near East Oil Company	Exploration and production	Africa	100
Middle East			
Amoco Iran Oil Company	Exploration and production	Iran	100
Iran Pan American Oil Company	Exploration and production	Iran	50
Kharg Chemical Company, Ltd.	Natural gas liquids and sulfur extraction	Iran	50
Australia and Far East			
Amoco Australia Exploration Company	Exploration and production	Australia	100
Amoco Australia Pty. Ltd.	Refining and marketing	Australia	100
Amoco Chemicals Pty. Ltd.	Sale of chemical products	Australia, New Zealand	100
Amoco India, Inc.	Refining and manufacture of fertilizers	India	100
Madras Fertilizers, Ltd.	Manufacture of fertilizers and chemicals	India	25
A.G. International Chemical Company	Manufacture and sale of chemical products	Japan	50
Amoco Japan Exploration Company	Exploration and production	Japan	100
Amoco Pakistan Exploration Company	Exploration and production	Pakistan	100
Amoco Singapore, Inc.	Refining and marketing	Singapore	100
Singapore Petroleum Company (Pte.) Ltd.	Refining and marketing	Singapore	33
Amoco Thailand Petroleum Company	Exploration and production	Thailand	100
Amoco Taiwan Petroleum Company	Exploration and production	Taiwan	100

Standard Oil Company (Indiana)

200 East Randolph Drive, Chicago, Illinois 60601

General Office

200 East Randolph Drive, Chicago, Illinois 60601

Transfer Agents and Registrars

The Chase Manhattan Bank, N.A. (Transfer agent and registrar)
One Chase Manhattan Plaza, New York, New York 10015

The First National Bank of Chicago (Transfer agent and registrar)
One First National Plaza, Chicago, Illinois 60670

National Trust Company, Limited (Transfer agent)
21 King Street East, Toronto 1, Ontario, Canada

The Royal Trust Company (Registrar)
Royal Trust Tower, Toronto Dominion Center, Toronto 1, Ontario, Canada

Annual Meeting

The annual meeting of the company's stockholders will be held on April 25, 1974, at the Whiting, Indiana, Community Center. A formal notice of the meeting, together with a proxy statement and proxy, will be sent to shareowners on or about March 25, 1974, at which time management will solicit proxies.

Foundation Report

Copies of the annual report of Amoco Foundation, Inc., are available. If you wish a copy, please write to the Executive Director, Amoco Foundation, Inc., P.O. Box 5910-A, Chicago, Illinois 60680.